



TOWN OF WALPOLE
COMMONWEALTH OF
MASSACHUSETTS

*Walpole Town Hall
135 School Street
Walpole, MA 02081
Phone (508) 660-7289
Fax (508) 660-7303
Email: MBoynton@th.walpole.ma.us*

Town Administrator

Michael E. Boynton

MEMORANDUM

To: Board of Selectmen
Finance Committee
Capital Budget Committee
School Committee

From: Michael E. Boynton,
Town Administrator

Date: February 1, 2005

Re: Fiscal Year 2006 Budget Proposal & Message

This was supposed to be the fiscal year that the outlook turned brighter. For over two fiscal years, Walpole and most other Massachusetts communities have been dealing with the effects of a downturn in the state and federal economies, and the associated revenue reductions that have resulted in state local aid. Walpole, like most other communities, has also been dealing with a health insurance crisis where double-digit premium increases are an annual occurrence. And Walpole, like most communities, has been attempting to continue delivering the highest quality service level while waiting for the state budget to turn the corner toward healthier days. Yet those days of health seem to be elusive yet again. With Fiscal Year 2006 fast approaching, we are once again preparing for a budget that maintains status quo rather than allows us to take a step ahead.

For the better part of the nineties, communities could expect robust state aid news each year. Lottery revenues were up. Chapter 70 funding increased as education reform was implemented. And cities and towns benefited with road and bridge funds in the Chapter 81 highway program. In FY'06, the lottery funds will rise only slightly, Chapter 70 is level again, and again Chapter 81 does not exist. Why the focus on state aid? Simply put, the inability of the Town to rely on this reoccurring source of revenue will again stretch local resources to their limits. But as has been echoed here before, we will survive and we will excel with that which we do have thanks to the dedication, commitment, and pride of every staff member, department head, and board & committee member. Whether it is beautifying our town grounds, repairing and preserving our town facilities, teaching our students, plowing our streets, protecting our residents and merchants, or simply greeting a customer with a smile and an assist in Town Hall, these fine individuals keep this Town running strong every day. I am proud to serve with them and I thank each of them for all that they do.

The budget that is presented to you for Fiscal Year 2006 represents an attempt at delivering level services. The municipal budget contains no new positions, modest increases in expense

lines, and an increase in debt services related to the first year of full borrowing for the elementary schools projects, the landfill capping, and the final bonding of the High School project. Fixed costs, including insurances, solid waste collection, county retirement, and tuition charges for Tri-County represent an increase of over \$1.2 million dollars. While these for the most part are beyond our control, some level of cost containment is currently underway. We are soliciting quotations for property and casualty, workers compensation, and public safety insurance coverage next year. We are working with the West Suburban Health Group to keep premiums at or below the twelve percent increase projected here. And, the projected budget for solid waste collection does not include any expansion of services beyond current limits. As the budget process moves forward toward Town Meeting in May, we will continue to monitor each of these costs to identify any savings possible.

The issue of health insurance coverage is one that that must be given greater attention. As noted earlier, double-digit premium increases are now the norm each year rather than the exception. The fallout from those premium hikes is annual budget increases of hundreds of thousands of dollars and a frustration by some about the benefits we provide. However, the frustrations need to be redirected and each of us can play a role in that. While it is true that we as municipal and school leaders can improve our efforts toward bringing wellness programs to our employees, it is also true that we can start to deliver a message to our state and national legislators that they must begin to address the soaring costs generated at the providers level. Prescription drug costs, hospitalization costs, and even routine medical costs continue to rise with no end in sight. This problem most certainly is not unique to Walpole. This seemingly out-of-control problem continues to have a dramatic effect on our state budget as well. As many leaders across the state and nation focus on expanding health care coverage to a greater number of people, we must stress that the root of this cost crisis be identified and corrected.

Overall, projected expenditures in FY'06 will total \$56,481,576 which include charter school tuition and capital costs, state and county assessments, our overlay appropriation, and various article and contractual funding offsets. Also included, and by far the greatest part of the total package is our General Fund operating budget. This is where all department operations, municipal and school, are funded through. The \$53,950,762 proposed spending plan is approximately 6.23% higher than FY'05. While that figure sounds high, it is important to take into consideration the increased debt costs stated above. As most of that debt is in the form of "excluded debt", the increases in budget costs are offset by equivalent revenue increases in the FY'06 tax levy. Further, if the debt figures were essentially level funded, the overall budget increase is consistent with the 4% rise found this current year.

I again thank all the Department Heads who met with me to review their budget requests and my projections for next year. They have each spent many hours preparing these budgets, and their hard work is very appreciated. Some of the spending increases in the proposed municipal budget include a conversion of blocked to scheduled hours for the Licensing Secretary, an increase in hours for the Recreation Clerk to accommodate a demand for program scheduling services, the full year funding of three positions approved at the Fall 2004 Town Meeting, several facility heating expense increases, first time funding for regulated roadway waste disposal, increased funding for Veteran's benefits to mirror existing needs, and expanded contractual services for public health inspections. However, while these represent some of the increases in this budget proposal, it is also important to point out that many budget expense lines have been reduced below the current year's amounts in an effort to present a balanced

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budget. Cost of living increases for municipal union personnel have not been included in the operating budget projections, while non-union staff have a 2.5% COLA factored into projections.

In terms of proposed education spending, this budget will increase the Walpole Public School appropriation to \$26 million dollars, an increase of roughly \$704,000. This figure is nearly \$800,000 below the funding request of the School Department. In addition to the general fund budget proposal, the proposed FY'2006 Capital Budget also includes \$1.03 million dollars in school facility and equipment costs. Through these proposals, the Town continues to demonstrate a commitment to a solid educational system, both in terms of operating and capital dollars. To illustrate this point further, one could refer to the FY'2005 Department of Education Net School Spending Compliance report. In this report provided to the state by local officials, the Town is credited with budgeting over \$6.2 million dollars toward school operation needs bringing the total education spending figure to over \$30.9 million dollars this year. While all are not included in the actual school appropriation, these funds pay for insurances, facility maintenance costs, accounting and administrative support. And although these are FY'2005 figures, there is no reason to expect that the same commitment will not be maintained into FY'06. With many sources of revenue available to strictly the School department, such as grants and special education circuit breaker funds, it is hoped that collectively we will work together to close their budget gap as we approach Town Meeting. In addition, proposed expenditures for the Tri-County school district are projected to rise by as much as \$80,000 in FY'2006.

The proposed budget is balanced at this time through the use of many revenue sources. By far the largest source is our tax levy, with over \$41.4 million dollars expected in FY'2006. This is made up through property tax revenue, previously approved debt exclusion projects such as school construction and the Adams Farm purchase, and new growth. With major projects in Town the last few years including Big Y, Stop & Shop and Gatehouse, this new growth figure has topped \$1 million per year. However, that growth seems to have slowed slightly. We do still expect additional revenues as part of the housing subdivision in East Walpole. We have also projected an increase of just over \$200,000 in state aid as evidenced by the Governor's House 1 budget. This increase is predicated upon the adoption by the General Court of an accelerated lottery cap phase out and a supplemental local aid increase, both proposed by the Governor. As in the past, we will also transfer a portion of collected ambulance revenues to support the operating budget. One of the financial factors used in support of hiring additional paramedics over the last two years was the added revenue that would be generated once the Town moved into advanced life support services. Those revenues are now being realized, and as such a greater share of ambulance receipts, \$121,055 over FY'05, are supporting fire and EMS operations.

At this time, we are also projecting revenue increases in local receipts of more than \$200,000 with the greatest rise seen in motor vehicle excise and supplemental assessment revenues, each at \$100,000 over today's figures. One item added to the local receipts category is prison host community funds. For the last two years, Walpole has received an additional \$500,000 in prison funds as the host community for MCI-Cedar Junction. These funds have been included in the legislature's budget thanks to Representative John Rogers, and we again have requested his support in securing them again in FY'06. However, as the successful receipt of these monies occurred only after veto overrides in FY'04 and FY'05, it is recommended that the reliance on these funds be reduced accordingly prior to expanding any budget should new

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revenues or other budget savings be identified in the coming months. Lastly, this budget proposes the use of a small sum of free cash, \$150,000, as part of the balancing act. This is in keeping with the practice used the last few years as well.

Last year I likened the budget to a jigsaw puzzle, where every piece fits together in a precise way. With constrained revenues that concept continues to hold true today. It will be very important to hold that image as you commence your budget reviews.

As you are aware, this will be the third year of our Sewer & Water enterprise funds. These accounting tools have been very successful, and the operations of each division have resulted in a surplus now shown in our retained earnings, \$663,000 in water and \$234,000 in sewer. Water operations for FY'2006 are projected to rise by 5.04%. This is attributed to the first full year of operations with the new Willis Water Treatment plant. This is a state of the art facility, but with it comes added costs in terms of electricity and other expense items. Two capital projects totaling \$240,000 are proposed for next year, including the replacement of a dump truck and fixture and equipment replacements as well. The Town will be required to comply with more stringent DEP water conservation measures going forward, and the conversion to more efficient fixtures in our facilities is one part of that process. These capital expenditures will be funded through water retained earnings. In terms of sewer department costs, a projected increase of less than 1% is expected at this time.

With many one-time receipts in FY'2004, including the sale of town land on Route 1, the Gatehouse settlement, Medicaid special education reimbursements, and several large permit fees, the Town had a free cash certification of over \$3 million dollars in the fall. Fall town meeting approved the expenditure of approximately \$900,000 in those funds on immediate capital needs as well as the Medicaid transfer of \$480,000 back to the School department. Given that, we are most fortunate to be in a position to address several pressing capital needs through free cash this spring at a projection of \$1.9 million dollars. These include \$250,000 for continued air quality improvements at the Johnson Middle School, over \$400,000 in other facility, primarily school building, repairs, \$150,000 in computer infrastructure & network upgrades, \$100,000 in the annual chip seal program, \$112,000 in sidewalk repairs, \$300,000 in public works equipment replacements, and \$150,000 in public safety equipment to name a few. These are items that must be addressed this spring. Our capital planning for the next five years shows a continuing need that does not drop off, therefore a decision to postpone any of these items will clearly have an impact beyond just one year. Further, as the receipt of one time revenues declines, the capital spending ability of the Town will become more challenging than ever. The FY'06 capital plan also allows for a solution to our bleacher concerns. The bleacher study committee has been very hard at work for over one year examining options of repairing the existing structure versus complete replacement. They will be prepared to make a recommendation on their chosen option prior to Town Meeting. One thing that remains clear is the source of funding for whatever their chosen option may be. Fall town meeting in 2003 secured the funds for the bleacher issue in the Town's stabilization fund, and as such, that is the recommended funding source as well.

One item contained in the capital plan for this year that will likely generate some debate is the proposed design funds borrowing article for a new Police Station. Yet while debate may take place on cost and location, one point seems difficult to argue: that is the current facility can no longer sustain the needs of a modern police department. Between building conditions and

space needs, it has been demonstrated that the time has come to find a new home for our police force. Town Meeting representatives will be asked to support the funding necessary for a new facility design, a cost projected at this time to be \$750,000. This figure is an estimate and other factors, including the newly enacted state Construction Reform law and the actual designer selection process, may require that figure to be adjusted. As we get closer to Town Meeting, these estimates will be refined as additional information is gathered. Further, the Board of Selectmen will be asked to formally endorse a site location to allow planning to proceed.

In terms of the current fiscal Year, FY'2005, we appear to be on target with most budgets heading into the final five months of the year. Revenue collections are on target, and no significant incidents have occurred to change our projections. Snow & ice again appears to be in a deficit situation however. For the third year in a row Mother Nature has been less than kind to our budget, dumping more snow on us in January than any month in recorded history. Add to it a few bitterly cold days, and we clearly have the makings of financial challenges. It is hoped that federal reimbursement will be coming to Walpole for some of the costs incurred during the January 22nd and 23rd blizzard. We also will look to other sources of revenue, including potential overlay surpluses, to help address the expected deficit at Town Meeting. A note of commendation is due to Bob O'Brien, Bob LeBlanc and all Public Works personnel who performed so well during these major storms to keep us open and operating. One other budget to watch for fiscal concerns is the Police overtime account. With one retirement and one departure to the State Police Academy, not to mention still being down two positions from the '03 budget cuts, the Chief has been forced to rely on overtime funds to keep a minimum number of officers on patrol. As we approach Town Meeting we will have a better projection on what level of funding will be necessary to address potential shortfalls. Other concerns relate to heating and energy costs, however at this time it appears sufficient funding is in place to cover these increased expenses.

I would again thank and commend the members of our financial and administration teams who put so much time into helping this budget come together. Our Finance Director Mark Good, Town Accountant Arti Mehta, Appraiser Dennis Flis, Personnel & Benefits Coordinator Valorie Donohue, and Assistant Town Administrator Jim Johnson spent many hours reviewing revenues, expenses, personnel costs and capital projections and I thank each of them. I too thank Administrative Secretary Cindy Berube for her hard work assembling and preparing each budget book before you. I have stated it before, and I shall state it again: I am very fortunate to work with such an excellent group of people and dedicated workers.

In closing, I also extend my thanks to each one of you. You all play key important roles in our community and you give much of yourself for the betterment of the Town. In the next three months, you will spend hundreds of hours reviewing these materials, meeting with staff, and gathering input from petitioners and residents alike. This annual budget process is not the work of just one person or a handful of employees, but rather the joint collaboration of a wonderful cross section of the community. True, this budget will not address every need, want or desire of every person. But by the time your reviews are complete, it will address the greater needs of the community as a whole. From senior citizen to school child, from resident to merchant, from employee to retiree, this work of collected efforts will enable us to succeed again. I and all town staff are at the ready to answer any questions you may have, and as always, I look forward to working closely with you as we navigate the FY'06 budget process.